

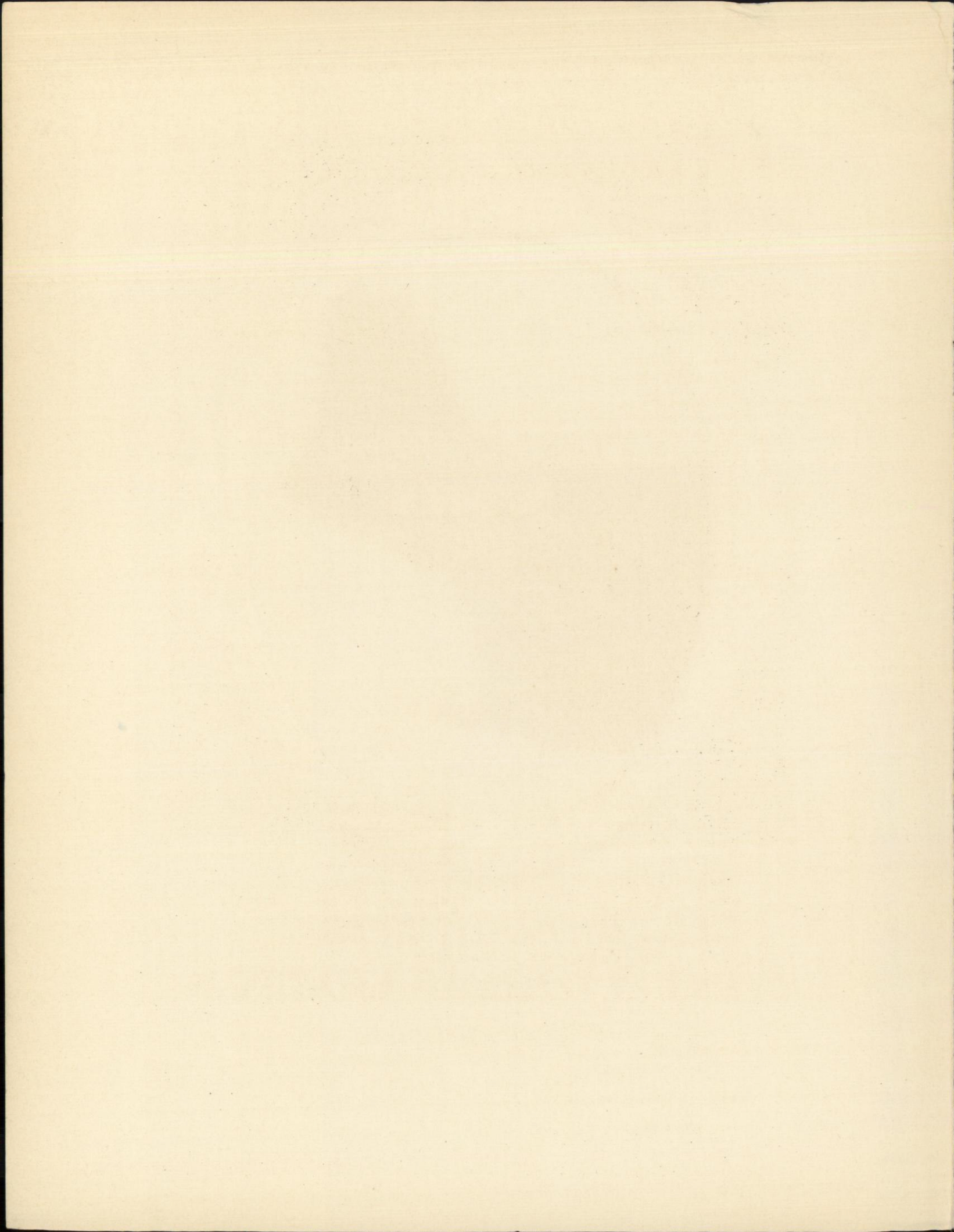
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Annual Report
FIRST NATIONAL STORES INC.
year ending

BOARDS
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March 30th 1935



FIRST NATIONAL STORES INC.

Officers

ARTHUR O'KEEFFE, *President*

CHARLES F. ADAMS, *Treasurer*

JAMES C. DUANE	<i>Vice-President</i>
BERNARD F. MCGOLDRICK	<i>Vice-President</i>
MORRIS JOSELOFF	<i>Vice-President</i>
JOHN L. MACNEIL	<i>Vice-President</i>
RALPH F. BURKARD	<i>Assistant Treasurer</i>
JOHN E. ELWELL	<i>Clerk</i>



Executive Committee

CHARLES F. ADAMS
RALPH F. BURKARD
MORRIS JOSELOFF
BERNARD F. MCGOLDRICK
ARTHUR O'KEEFFE

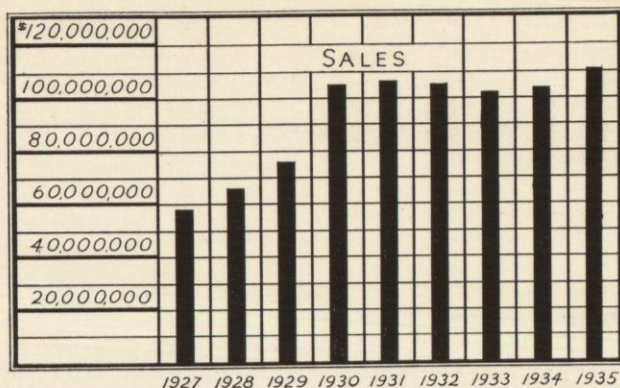


Directors

CHARLES F. ADAMS	JOHN L. MACNEIL
CHARLES H. BURGER	JAMES E. MALONEY
RALPH F. BURKARD	BERNARD F. MCGOLDRICK
JAMES C. DUANE	JOHN L. MCHENRY
BYRON M. FLEMMING	JAMES J. O'HARE
ROBERT F. IRWIN	MICHAEL J. O'HARE
MORRIS JOSELOFF	ARTHUR O'KEEFFE
SAMUEL JOSELOFF	ROLAND C. POWERS

NATHANIEL E. WHITTEMORE

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1927 1928 1929 1930 1931 1932 1933 1934 1935

Retail Store Sales — Fiscal Years

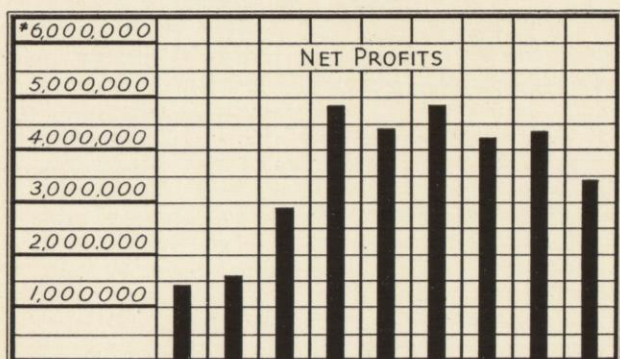
1927	\$59,038,304	1931	\$108,196,686
1928	64,445,962	1932	107,634,383
1929	75,884,639	1933	100,892,947
1930	107,635,216	1934	105,812,781
1935	\$111,323,463		



1927 1928 1929 1930 1931 1932 1933 1934 1935

Stores — Fiscal Years

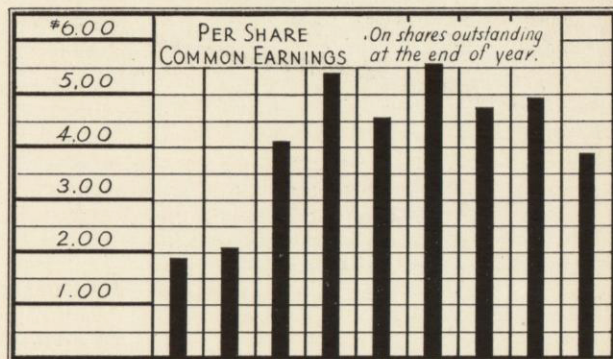
1927	1681	1931	2548
1928	1717	1932	2546
1929	2002	1933	2705
1930	2549	1934	2653
1935	2623		



1927 1928 1929 1930 1931 1932 1933 1934 1935

Net Profits — Fiscal Years

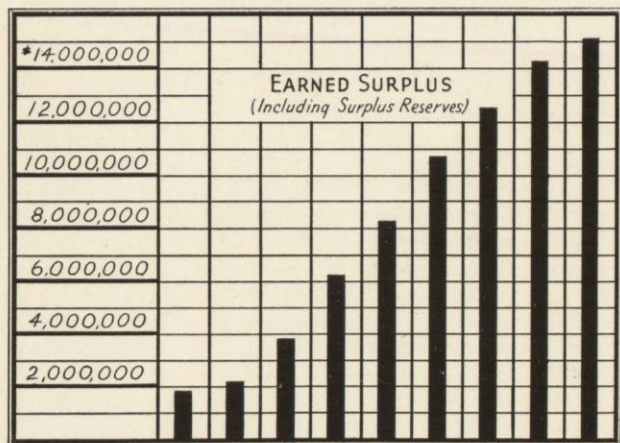
1927	\$1,492,193	1931	\$4,479,108
1928	1,593,358	1932	4,825,611
1929	2,904,884	1933	4,220,099
1930	4,773,446	1934	4,394,830
1935	\$3,433,504		



1927 1928 1929 1930 1931 1932 1933 1934 1935

Per Share Common — Fiscal Years

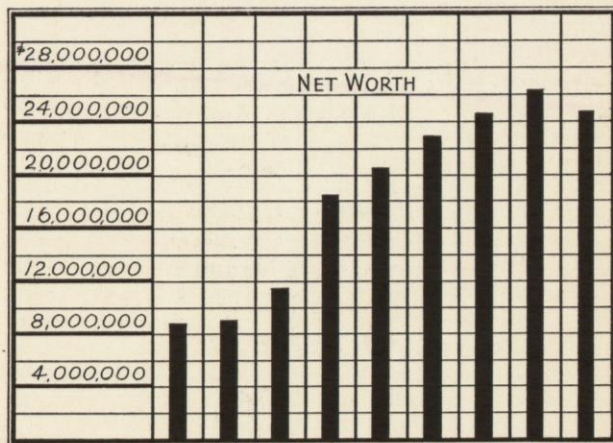
1927	\$1.92	1931	\$5.03
1928	2.09	1932	5.52
1929	4.07	1933	4.78
1930	5.39	1934	4.97
1935	\$3.89		



1927 1928 1929 1930 1931 1932 1933 1934 1935

Surplus (Including Surplus Reserves)
Fiscal Years

1927	\$1,996,375	1931	\$8,371,910
1928	2,238,303	1932	10,816,321
1929	3,987,782	1933	12,666,672
1930	6,369,726	1934	14,213,494
1935	\$15,121,448		



1927 1928 1929 1930 1931 1932 1933 1934 1935

Net Worth — Fiscal Years

1927	\$8,723,782	1931	\$20,349,333
1928	8,965,710	1932	22,793,743
1929	11,724,410	1933	24,644,094
1930	18,347,148	1934	26,190,916
1935	\$24,820,470		

Somerville, Massachusetts, June 7, 1935.

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

On behalf of your Directors, the Annual Report of your Company for the fiscal year ending March 30, 1935, is herewith submitted.

As in prior years, all figures given in this report are comparable for there has been no change in the Company's established method of bookkeeping. The Balance Sheet and Statements of Earnings and Surplus Account, prepared by independent auditors, Messrs. Price, Waterhouse & Co., and their brief report thereon, — are all included in this report.

Summarizing the results of the operations for the year, there was an increase in retail sales; earnings were lower, principally due to a decline in gross profit, for, during the past year, food prices at wholesale increased more than at retail, thus showing a lag in retail prices and a consumer resistance to higher retail prices. We also encountered increased price competition in our territory. We have, however, earned our dividends each quarter and in addition, a substantial sum was added to our earned surplus for the year.

Our Working Capital was increased \$1,505,623 by the ordinary transactions during the year and decreased by \$2,506,240 paid for the redemption of 22,784 shares of our First Preferred Stock as of October 1, 1934; thus making a net decrease of \$1,000,617 compared with last year.

Your Company is today in excellent financial condition, has ample working capital, and has no loans outstanding, — all of which is reflected in the following condensed statement:

	<i>For the Fiscal Year Ending</i>	
	<i>March 30, 1935</i>	<i>March 31, 1934</i>
Retail Store Sales	\$111,323,463	\$105,812,781
Net Profits after Taxes, Depreciation and all Charges and available for Dividends	\$3,433,504	\$4,394,830
Earnings per share of Common Stock after Preferred Dividends paid during the year (on common shares outstanding at end of year)	\$3.89	\$4.97
	<i>As of</i>	
	<i>March 30, 1935</i>	<i>March 31, 1934</i>
Net Working Capital (Current Assets less Current Liabilities)	\$12,534,228	\$13,534,845
Fixed or Property Assets (less Depreciation) .	\$11,158,409	\$11,573,102
Net Worth	\$24,820,470	\$26,190,916
Earned Surplus	\$13,591,448	\$12,852,924

For comparative purposes, on the opposite page, graphic charts have been created covering the last nine years, showing the results of our operations as reflected in Sales, Stores operating, Earnings, Surplus and Net Worth.

DEPRECIATION CHARGES AND MAINTENANCE CHARGES

	<i>Fiscal Years</i>		
	<i>1935</i>	<i>1934</i>	<i>1933</i>
Depreciation Charges	\$1,126,447	\$1,154,166	\$1,014,511

These sums were charged against earnings, in their respective years, to cover depreciation based upon the estimated life of all of our depreciable assets, which include buildings owned, store and plant fixtures, improvements, machinery, equipment and automobiles and trucks. We have not changed our policy on depreciation and in the opinion of your Directors, these charges are ample and proper charges against earnings.

	<i>Fiscal Years</i>		
	<i>1935</i>	<i>1934</i>	<i>1933</i>
Maintenance Charges	\$697,014	\$665,340	\$734,570

These amounts were charged to operating expenses for the upkeep and regular repairs of our fixed assets. It is our policy to maintain these assets in the best possible condition and high standard of efficiency.

DIVIDENDS PAID

During the past fiscal year, your Company paid regular dividends of \$1.75 per quarter or \$7.00 per share on First Preferred Stock outstanding for the year.

Dividends of 62½¢ per quarter or \$2.50 per share were paid on the Common Stock outstanding for the year.

GROCERY STORES AND MARKETS

Your Company had in operation on	March 30, 1935	March 31, 1934
Grocery Stores	2,162	2,233
Markets or Combination Grocery, Fruit, Vegetable and Meat Stores	461	420
Total Grocery Stores and Markets	2,623	2,653

Your Company is continuing its conservative development through the opening of the combination grocery and meat market type of stores. Forty-one were opened during the past fiscal year.

PUBLIC RELATIONS

Each year, your Company is taking an increasing interest in its relations with the public in the communities where we have stores. We participate in community activities such as memberships in Chambers of Commerce and Boards of Trade, local Community Chest Drives and various other charitable and civic works.

Wherever possible, we favor the locality in the purchase of materials, supplies and labor, with a sincere desire to assist in the development of the communities in which we operate.

In 1934, a total of \$48,524,000 was spent for New England raised and manufactured products and for various expenses such as labor, rent, heat, light, power, and other local expenditures.

Bank accounts are maintained on a mutually satisfactory basis in all communities where our stores are located.

We realize the importance of constantly maintaining this important work of public relations. It is our public duty to do so and moreover, the success of our efforts in holding and building our public goodwill has a material bearing upon the success of your Company.

TAXATION

Taxes continue to be an increasingly heavy burden upon your Company. In the last fiscal year, we paid \$1,132,096 for direct taxes. This amounts to 1.01% on sales or \$1.38 per common share; compared with \$796,693 paid in the 1930 fiscal year or .74% on sales or \$.97 per common share. This represents an increase of 42% in five years.

During the past fiscal year, discriminatory chain store tax bills were introduced in the Legislatures of each of the New England States. Your management appeared before the various Taxation and Legislative Committees and presented facts concerning the economic status of and public benefits from the chain store in the field of distribution. Up to the present time, none of these bills has been enacted into law and there remains in our territory only one State Legislature in session, which has not voted upon these measures.

It is to the interest of every stockholder, whenever the occasion presents itself, to express strongly and actively to those legislators who represent him, his opinion in protest against any discriminatory Chain Store Taxation.

STOCKHOLDERS

It is gratifying to report that on March 8, 1935, we had 6,576 common stockholders — an increase of over 400% since 1926 and an increase of over 42% since 1933.

The following table shows the changes in number of our shareholders, at three-year intervals since 1926.

	1935	<i>As of March</i>		
		1932	1929	1926
Number of common stockholders	6,576	4,607	1,975	1,304
Number of preferred stockholders	2,276	2,669	2,571	2,835
Total stockholders	8,852	7,276	4,546	4,139

REDEMPTION OF FIRST PREFERRED STOCK

On August 31, 1934, our First Preferred Stockholders were notified of the call for redemption on October 1, 1934, of certain of the shares in their names, at \$110 a share. At the same time, the privilege was afforded to the holders of these called shares, as well as to the holders of uncalled shares, to surrender all or part of them prior to October 1, 1934, at \$110 per share and accrued dividend.

Twenty-two thousand seven hundred eighty-four shares (22,784) were so called and surrendered and in accordance with the notice of call, these shares will be cancelled by vote of stockholders at the annual meeting this year.

This redemption required an outlay of \$2,506,240 and was paid from our Cash and Government Security holdings.

With deep sorrow, we record here the death of MR. AUGUSTUS F. GOODWIN, on July 24, 1934. Mr. Goodwin was Chairman of our Board of Directors since the merger in 1925. A wise leader, with dynamic influence, he won both the admiration and affection of our entire organization.

As shown by the balance sheet, your Company had 11,705 shares of common stock on hand in its treasury at March 30, 1935. Of this amount, which was acquired by purchase, 4,220 shares are set aside under option to certain employees at a price near the market at the time such options were executed.

CONCLUSION

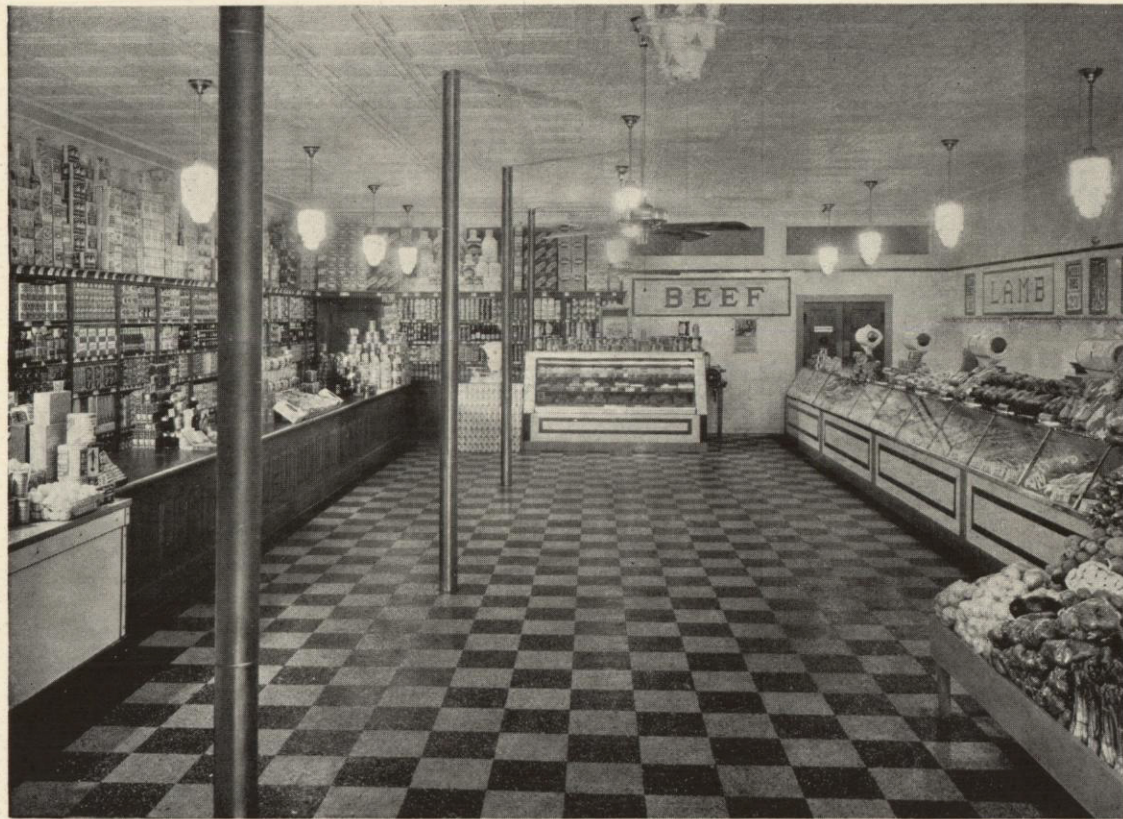
It gives us pleasure publicly to express our gratitude and appreciation of the loyalty and co-operation extended by all the employees of the Company during the past year. Our happy and contented personnel is necessary to perpetuate the success of our Company — to continue the consumer benefits derived from our form of distribution — and to continue for the stockholders a fair return upon their investment.

Your Directors feel that your Organization, composed of men of many years of experience in this industry, has the ability to continue to make a favorable showing in the field of food distribution.

A notice of the annual meeting of stockholders accompanies this report. Common stockholders are requested to sign the proxy attached to their notice and mail at once in the envelope provided. Your prompt compliance to this request will be greatly appreciated for it will facilitate listing and checking proxies, as well as save the expense of follow-up requests.

BY ORDER OF THE BOARD OF DIRECTORS
ARTHUR O'KEEFFE
President

First National Store

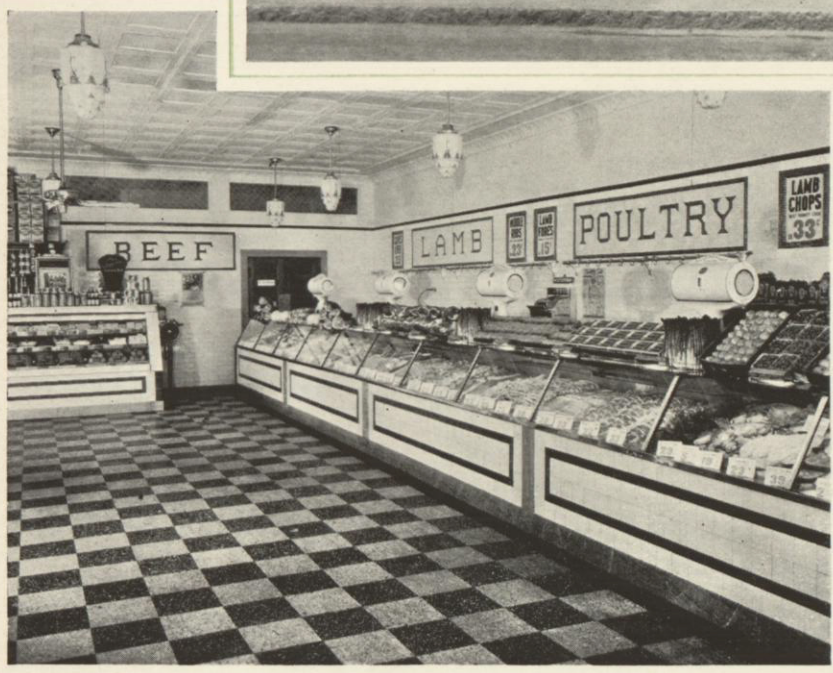


VIEWS TYPICAL FIRST N

- Upper left — Complete Interior
- Center left — Grocery Department
- Lower left — Dairy Department

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**FIRST
NATIONAL
STORES
INC.**

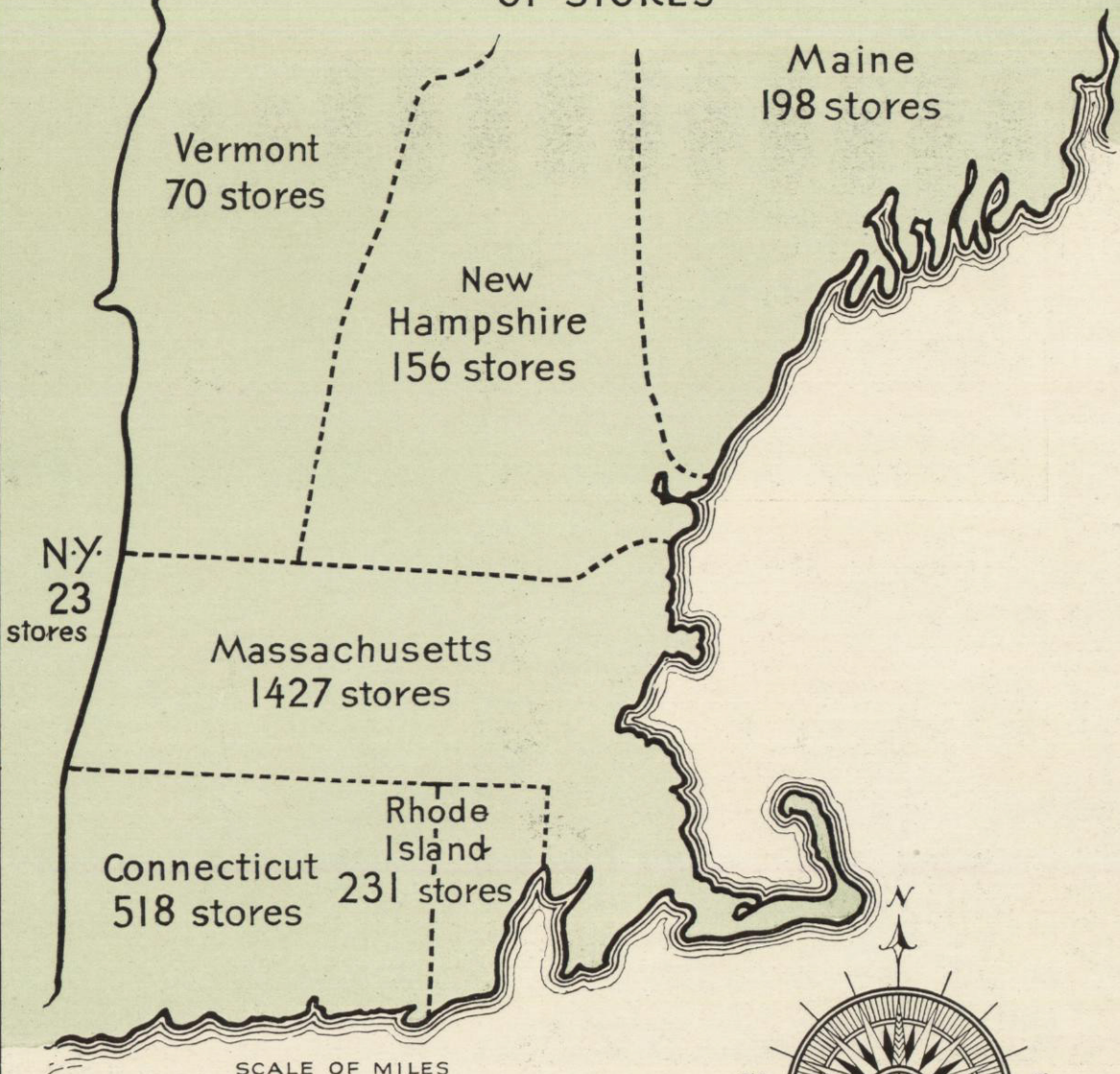


**S OF A
NATIONAL MARKET**

- Upper right — Exterior
- Center right — Meat and Fish Department
- Lower right — Fruit and Vegetable Department

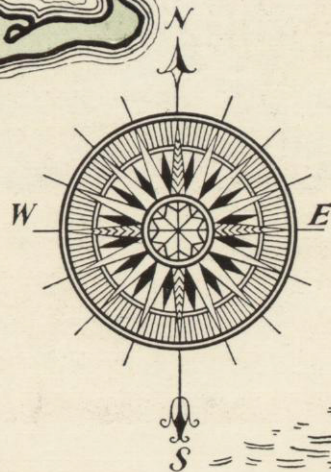
FIRST NATIONAL STORES INC.

GEOGRAPHICAL DISTRIBUTION OF STORES



SCALE OF MILES
0 50 100 150

**Total Number
of Stores**
as of March 30, 1935
2623



72°

70°



A GROUP OF QUALITY PRODUCTS
Exclusively Distributed By
FIRST NATIONAL STORES INC.

FIRST NATIONAL STORES INC.
Comparative Balance Sheet—March 30, 1935 and March 31, 1934

	ASSETS		Increase *Decrease
	March 30, 1935	March 31, 1934	
CURRENT ASSETS:			
Cash in banks and on hand (after deducting dividends paid April 1)	\$3,535,308.62	\$3,043,311.03	\$491,997.59
U. S. Government securities (value at market quotations at March 30, 1935 — \$1,052,333)	1,024,989.58	3,782,346.04	*2,757,356.46
Accounts receivable, less reserve	436,751.56	422,603.66	14,147.90
Accounts receivable — officers and employees	8,666.20	6,486.55	2,179.65
Inventories of merchandise, materials and supplies, on hand and in transit, at cost or market, whichever lower	11,950,117.56	10,624,052.44	1,326,065.12
Total current assets	\$16,955,833.52	\$17,878,799.72	*\$922,966.20
INVESTMENTS, ETC.:			
First National Stores Inc.:			
Common stock at book value — 11,705 shares at March 30, 1935	\$592,230.33	\$633,964.58	*\$41,734.25
First preferred stock at cost — 1,277 shares at March 30, 1935	135,178.81	147,748.80	*12,569.99
Investments in and advances to wholly owned milk and creamery subsidiaries — at cost, less reserve	207,603.12	142,603.12	65,000.00
Deposits in closed and restricted banks, less reserve	33,803.25	77,590.16	*43,786.91
Miscellaneous securities and advances	182,113.98	215,411.00	*33,297.02
Total investments, etc.	\$1,150,929.49	\$1,217,317.66	*\$66,388.17
DEFERRED CHARGES:			
Prepaid insurance and expenses	\$466,663.14	\$368,521.98	\$98,141.16
FIXED ASSETS (at cost):			
Land and buildings owned	\$6,060,362.93	\$6,027,704.63	\$32,658.30
Less — Reserve for depreciation	953,257.00	828,487.76	124,769.24
	\$5,107,105.93	\$5,199,216.87	*\$92,110.94
Store fixtures, leased property improvements, machinery and equipment	\$10,528,811.90	\$10,248,615.24	\$280,196.66
Automobiles	586,467.68	606,815.62	*20,347.94
	\$11,115,279.58	\$10,855,430.86	\$259,848.72
Less — Reserve for depreciation	5,063,975.57	4,481,545.26	582,430.31
	\$6,051,304.01	\$6,373,885.60	*\$322,581.59
Total fixed assets	\$11,158,409.94	\$11,573,102.47	*\$414,692.53
GOODWILL	\$1.00	\$1.00
	\$29,731,837.09	\$31,037,742.83	*\$1,305,905.74

FIRST NATIONAL STORES INC.

Comparative Balance Sheet — March 30, 1935 and March 31, 1934

LIABILITIES			
	March 30, 1935	March 31, 1934	Increase *Decrease
CURRENT LIABILITIES:			
Acceptances payable under letters of credit	\$253,760.32	\$231,152.68	\$22,607.64
Accounts payable	2,567,917.15	2,596,522.35	*28,605.20
Accrued taxes, rent, and other expenses	584,778.60	332,012.73	252,765.87
Employees' investment certificates	414,850.00	429,790.00	*14,940.00
Provision for federal income taxes	600,299.23	754,477.28	*154,178.05
Total current liabilities	<u>\$4,421,605.30</u>	<u>\$4,343,955.04</u>	<u>\$77,650.26</u>
RESERVES:			
For contingencies	\$334,600.58	\$334,600.58
For sinking fund preferred stocks	1,530,000.00	1,360,570.00	\$169,430.00
Miscellaneous	155,160.48	168,271.50	*13,111.02
Total reserves	<u>\$2,019,761.06</u>	<u>\$1,863,442.08</u>	<u>\$156,318.98</u>
CAPITAL STOCK:			
7% First Preferred:			
Authorized and issued or held for exchange for			
8% Preferred — 50,000 shares, par value \$100 each	\$5,000,000.00	\$5,000,000.00
Deduct—Redeemed and held for retirement—			
22,784 shares	2,278,400.00	\$2,278,400.00
	<u>\$2,721,600.00</u>	<u>\$5,000,000.00</u>	<u>*\$2,278,400.00</u>
Common:			
Authorized — 1,000,000 shares without par value			
Issued — 827,634 shares	6,977,422.07	6,977,422.07
Total capital stock	<u>\$9,699,022.07</u>	<u>\$11,977,422.07</u>	<u>*\$2,278,400.00</u>
EARNED SURPLUS	\$13,591,448.66	\$12,852,923.64	\$738,525.02
	<u>\$29,731,837.09</u>	<u>\$31,037,742.83</u>	<u>*\$1,305,905.74</u>

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have made an examination of the comparative balance sheet of First National Stores Inc. as at March 30, 1935 and March 31, 1934 and of the statements of earnings and surplus for the fiscal year ending March 30, 1935. In connection therewith, we examined or tested accounting records of the company and other supporting evidence and obtained information and explanations from officers and employees of the company; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of all transactions.

In our opinion, based upon such examination, the accompanying comparative balance sheet and related statements of earnings and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the company during the year under review, its position at March 30, 1935 and March 31, 1934 and the results of its operations for the fiscal year ending March 30, 1935.

PRICE, WATERHOUSE & CO.

Boston, Massachusetts.
May 27, 1935.

FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS — FISCAL YEAR ENDING MARCH 30, 1935

Sales		\$111,323,463.85
<i>Less:</i>		
Cost of sales, expenses, etc.		106,207,358.09
		\$5,116,105.76
<i>Deduct:</i>		
Depreciation on fixed assets		1,126,447.01
		\$3,989,658.75
<i>Add:</i>		
Interest and dividends received		154,830.17
		\$4,144,488.92
<i>Deduct:</i>		
Interest paid	\$27,593.96	
Loss on disposition of capital assets, etc. (net) and provision for loss on investments	143,941.58	171,535.54
		\$3,972,953.38
<i>Deduct:</i>		
Provision for federal income taxes		539,449.17
		\$3,433,504.21

SURPLUS ACCOUNT FOR THE FISCAL YEAR ENDING MARCH 30, 1935

Earned surplus at March 31, 1934		\$12,852,923.64
Net profit for the fiscal year ending March 30, 1935	\$3,433,504.21	
<i>Less:</i>		
Dividends paid:		
Preferred stock	\$259,354.17	
Common stock	2,038,355.02	2,297,709.19
		\$1,135,795.02
Balance after dividends		
Provision for sinking fund—7% first preferred stock	\$169,430.00	
Premium on preferred stock redeemed	227,840.00	397,270.00
		738,525.02
Earned surplus at March 30, 1935		\$13,591,448.66

